

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1324-03
Bill No.: Perfected HCS for HB 543
Subject: Auditor, State; Insurance - Medical; Retirement - Local Government; Retirement - Schools
Type: Original
Date: April 24, 2013

Bill Summary: This proposal modifies the duties and authority of the State Auditor.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization.

Officials from the **Administrative Hearing Commission, Office of Administration, Office of the State Courts Administrator, Department of Elementary and Secondary Education, Department of Transportation, Department of Insurance, Financial Institutions and Professional Registration, Department of Mental Health, Department of Labor and Industrial Relations, Department of Public Safety (Capitol Police), Missouri Gaming Commission, Joint Committee on Public Retirement, Missouri Lottery Commission, Missouri Highway Patrol, Missouri State Employees Retirement System, Office of the State Treasurer** and the **Missouri Veterans Commission** assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Bi-State Development, Office of Administration - Budget and Planning, Department of Economic Development, Missouri House of Representatives, Department of Natural Resources, Department of Health and Senior Services, Department of Higher Education, Department of Social Services, Missouri Consolidated Health Care Plan, Missouri Ethics Commission, Office of Prosecution Services, Office of the State Public Defender, State Tax Commission** and the **Missouri Senate** each assumed the proposal would have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Attorney General's Office (AGO)** assumed any potential cost arising from this proposal can be absorbed with existing resources. If there is a significant increase in the number of referrals, AGO may seek additional appropriation.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget.

ASSUMPTION (continued)

Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Governor's Office** assume there should be no added cost to their office as a result of this measure.

In response to a previous version, officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **St. Louis County** and the **City of Columbia** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **MoDOT & Patrol Employees' Retirement System (MPERS)** state that other than the administrative costs that may be incurred from producing documentation, it is unknown if the proposal would have a fiscal impact on the agency.

Oversight assumes MPERS can absorb the administrative costs associated with a potential audit by the State Auditor.

Officials from the **Missouri Department of Conservation (MDC)** state that this proposal will have an unknown fiscal impact on their department with respect to staff time expended in association with an audit and scope of audit activities.

Oversight assumes MDC can absorb the administrative costs associated with a potential audit by the State Auditor.

In response to a previous version, officials from the **Department of Corrections (DOC)** state penalty provisions for violations, the component of the bill to have potential fiscal impact for DOC, is for a class A misdemeanor. Currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

ASSUMPTION (continued)

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost through supervision provided by the Board of Probation and Parole (FY12 average of \$4.960 per offender, per day, or an annual cost of \$1,810 per offender.)

In summary, supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

In response to a previous version, officials from the **Department of Revenue** stated the State Auditor completed an audit of sales tax records maintained by the Department of Revenue on November 30, 2012. The Department makes personnel available to audit staff as needed. The Department estimates providing approximately 360 hours of taxation support and 140 hours of Information Technology support during the audit.

If the provisions of this legislation allows the state auditor to also audit corporate income, individual income, and employer withholding tax records, the Department estimates a similar amount of staff time could be attributed to audits in each of those tax types. In addition, since no audits have previously been performed by the state auditor for any of the tax types mentioned above, the amount of time need to perform a complete audit may be doubled or tripled. Therefore, the Department may expend \$176,427 in salaries and benefits for staff assistance for any additional audits performed.

The above assumes, though, that the state auditor will use the new authority in the bill to perform corporate and individual income and withholding tax audits at a level similar to the current level of sales tax audits and in a similar manner.

Should the state auditor choose to perform significantly more audits of the new tax types, or to perform them when the Department's resources are primarily focused on processing individual and corporate income tax returns during the peak of the relevant filing seasons, total state revenue may be negatively affected, by an unknown amount.

Oversight assumes DOR could request additional FTE for staff assistance required with any audits that may be performed if the need arises and could absorb any administrative costs with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

This legislation includes an emergency clause.

SOURCES OF INFORMATION

Attorney General's Office
Department of Agriculture
Administrative Hearing Commission
Office of Administration - Budget and Planning
Bi-State Development
Office of Administration
Office of the State Courts Administrator
Department of Economic Development
Department of Transportation
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health

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SOURCES OF INFORMATION (continued)

Department of Natural Resources
Department of Corrections
Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Higher Education
Department of Revenue
Department of Social Services
Department of Public Safety
Missouri Gaming Commission
Office of the Governor
Missouri Consolidated Health Care Plan
MoDOT & Patrol Employees' Retirement System
Joint Committee on Administrative Rules
Joint Committee on Public Retirement
Missouri Lottery Commission
Missouri Department of Conservation
Missouri Ethics Commission
Missouri Highway Patrol
Missouri House of Representatives
Office of Prosecution Services
Missouri State Employees Retirement System
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
Missouri Veterans Commission



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